

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF FLORIDA
PENSACOLA DIVISION

UNITED STATES OF AMERICA

v.

No.3:08cr79-MCR

ELLEN MEREDITH STUBENHAUS,
Defendant.

STATEMENT OF FACTS

The parties agree to the truthfulness of the following facts. Defendant Stubenhaus admits that if this case were to proceed to trial, the government would prove the following facts beyond a reasonable doubt. The parties acknowledge that not all the facts known from this investigation are contained in this summary.

A. PQI

1. Pinnacle Quest International, also known as "PQI" or "Quest," was a Panamanian business entity headquartered in Fort Walton Beach, Florida, in the Northern District of Florida. PQI operated a marketplace for a variety of "vendors."

2. PQI sold memberships at three levels of participation: Q1 (\$1,350), Q2 (\$7,500.00) and Q3 (\$18,750.00). PQI Q1 members gained access to various presentations, conference calls, DVDs, and CDs. Q2 and Q3 members gained access to offshore conferences organized by PQI.

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3. PQI contracted with various "vendors" who sought access to PQI members to promote their theories and sell their products. Many vendors were also speakers on the Q1 CD set and presenters at the Q2 and Q3 offshore conferences. Many vendors would only accept clients who first joined PQI at the Q1, Q2, or Q3 level. In practice, most clients joined PQI in order to have access to its vendors.

4. A PQI "Qualified Consultant," or "QC," was an individual who is authorized by PQI to sell one, two, or all three of PQI's membership levels. Defendant Stubenhaus was a PQI QC and was "qualified" to sell all three levels of PQI membership.

5. Membership fees for Q1, Q2, and Q3 memberships were paid to the Qualified Consultants. Qualified Consultants paid a portion of each client's membership fee – known as the "wholesale price" – to Synergy Productions International, or SPI, a PQI-affiliated entity.

6. Qualified Consultants were encouraged to refer clients to PQI-authorized vendors. Vendors frequently paid referral or "thank-you" bonuses to marketers who referred clients.

7. ~~Top-selling PQI marketers became part of PQI's "Executive Council," or "EC."~~
The Executive Council assisted in administering and operating PQI, which included approving new PQI vendors, organizing offshore conferences, and fielding complaints about PQI vendors and QCs. Ellen Stubenhaus was a member of PQI's Executive Council.

8. In addition to its offshore seminars, PQI organized promotional seminars in the United States known as "Quest Live" and "Cutting Edge." PQI QCs would bring clients or prospective clients to these events, where they would hear presentations for PQI and its vendors. Ellen Stubenhaus organized several "Quest Live" seminars and often served as the master of

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ceremonies at these seminars.

9. PQI was the successor entity to the Institute for Global Prosperity, also known as "IGP" or "Global," which ceased operations in approximately May 2002 after U.S. law enforcement began a criminal investigation into Global and its founders. Like PQI, Global sold multiple levels of membership, including an audio course and offshore conferences. Also like PQI, Global sold access to its vendors, including fraudulent tax and debt elimination schemes. Ellen Stubenhaus was a member of Global.

B. PQI's Vendors

10. Southern Oregon Resource Center Educational Services, or "SORCE," was a PQI vendor headquartered in Ashland, Oregon. SORCE's product consisted of a series of nominee business entities, including LLCs and offshore corporations, used to conceal assets from the IRS and other creditors. SORCE clients were encouraged to re-title their assets in the names of the SORCE-created business entities, to give the false appearance that the client did not own the ~~assets, when in fact, the client retained control of the assets at all times, even when those assets~~ were nominally held in corporate form. Stubenhaus was a SORCE client.

11. MYICIS was a PQI vendor headquartered in Berryville, Arkansas. MYICIS offered its customers access to a "warehouse bank" — a pooled bank account, opened in the name of MYICIS, at a legitimate bank. Each MYICIS customer had a sub-account within the pooled account, and records of the funds in each sub-account were secretly maintained by the operators of MYICIS. The existence of the sub-accounts and the identity of the sub-account holders was not disclosed to the bank where the pooled account was held. This arrangement gave the false

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appearance to the depository bank (and to anyone who was not a MYICIS member, including the IRS) that MYICIS itself owned and controlled all the money in the pooled account. But in fact, the client retained control over his funds in the pooled account, because each MYICIS client's money was available to him essentially on demand, through a variety of methods. Stubenhaus was a MYICIS client.

12. IMF Decoder, also known as IRS Codebusters, was a PQI vendor headquartered in the Seattle, Washington area. IMF Decoder sold its clients a product which claimed to eliminate the obligation to file tax returns and pay taxes. The product consisted of a series of form letters to the IRS which accused the IRS of fraud and demanded that the IRS issue a letter conferring tax-exempt status on the client going forward. IMF Decoder also had a second purpose: attempting to create a defense to a criminal prosecution by manifesting an erroneous understanding of the tax obligations of ordinary Americans. Stubenhaus was an IMF Decoder client.

~~13. Other PQI vendors, including Financial Solutions and DRSM, offered~~
fraudulent and ineffective schemes intended to eliminate credit card debt. Stubenhaus was a leading marketer of the debt elimination products, particularly DRSM.

C. Stubenhaus's Involvement with PQI and Its Vendors

14. Stubenhaus, who had been a marketer in PQI's predecessor organization, Global, became a PQI member and marketer on or about May 12, 2002 by "grandfathering" in from Global after Global's demise.

15. After she joined PQI in May 2002, Stubenhaus did not file federal income tax

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returns nor pay federal income taxes.

16. In or about October 2002, Stubenhaus joined PQI's Executive Council.

17. Stubenhaus attended at least six PQI Q2 conferences as follows:

- a. June 2003 in Cancun, Mexico
- b. December 2003 in Cancun, Mexico
- c. June 2004 in Cabo, Mexico
- d. February 2005 in Cancun Mexico
- e. October 2005 in Ixtapa, Mexico
- f. September 2007 in Cancun, Mexico

18. Stubenhaus attended three PQI Q3 conferences as follows:

- a. September 2004 in Panama City, Panama
- b. February 2006 in Malta
- c. May 2007 aboard a Mediterranean cruise ship.

19. Stubenhaus was the salesman (Qualified Consultant) for approximately 296 PQI clients. Many of Stubenhaus' clients joined PQI to gain access to PQI's debt elimination vendors.

20. Stubenhaus utilized the services of PQI vendors SORCE and MYICIS to hide her own PQI-related income from the IRS, by giving the false appearance that third-party entities owned and controlled the funds she earned, when in fact, Stubenhaus herself owned and controlled these funds.

21. To that end, on or about November 11, 2004, Stubenhaus established a Panamanian nominee foundation, World Rhythm Foundation, and a Panamanian nominee corporation, Right of Way Inc., both using the services of SORCE. Stubenhaus exercised complete control over the affairs of these two entities at all times.

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22. A few weeks later, on about November 24, 2004, Stubenhaus established an account with the MYICIS warehouse bank in the name of Right of Way Inc. Stubenhaus controlled and beneficially owned the funds in Right of Way Inc.'s MYICIS account at all times.

23. Stubenhaus made \$607,873 of total deposits into her MYICIS account. Of that amount, at least \$226,261 constituted PQI-related earnings.

24. From 2002 to 2008, Stubenhaus earned at least \$513,299.32 in gross receipts from selling PQI memberships and vendor products.

25. Stubenhaus assisted other co-conspirators in concealing the income of PQI and SPI by remitting the "wholesale" portion of Stubenhaus's PQI membership sales to SPI through MYICIS. Specifically, from 2002 to 2008 Stubenhaus paid \$158,004 from her MYICIS account to the various bank accounts of PQI and SPI, including SPI's MYICIS account.

26. Stubenhaus mailed numerous form letters authored by IMF Decoder to the IRS to attempt to fabricate a "reliance defense" as a purported safeguard against prosecution for breaking the tax laws. In particular, on or about April 4, 2002, Stubenhaus sent a letter prepared by IMF Decoder to the IRS, in which Stubenhaus claimed that the IRS was committing fraud against her by attempting to "fraudulently extract money" from her, and demanded that the IRS cease any collections activities and criminal investigations against her. These letters also falsely denied that Stubenhaus was a citizen of the United States.

27. Stubenhaus was audited for numerous tax years. On or about February 21, 2003, after received the results of an audit for 1998, Stubenhaus filed a Mail Fraud Report with the U.S. Postal Inspection Service which falsely claimed that Stubenhaus had received a

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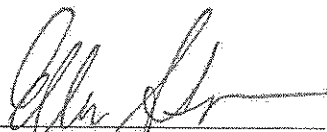
fraudulent tax bill from the IRS.

28. On or about July 21, 2005, Stubenhaus hosted a prospective PQI client at the clubhouse of her subdivision. At the meeting, Stubenhaus explained the benefits of SORCE and IMF Decoder to a prospective PQI client. She also stated that PQI's client list, and PQI's records of how many sales PQI salesmen made, are kept in Malaysia to prevent the IRS from obtaining them. Stubenhaus also stated that PQI does not report sales commissions earned by its QCs to the IRS, and stated "there's no reporting, no 1099, no nothing. You don't want a 1099."

29. Stubenhaus, with the aid of MYICIS, transferred significant amounts of money offshore. Stubenhaus knew and understood that the effect of these transfers was to remove assets beyond the reach of the IRS. Such transfers included, among others, the following:


- a. On or about February 16, 2006, Stubenhaus caused the operators to MYICIS to wire transfer \$10,000 to a bank in Costa Rica.
- b. On or about March 22, 2006, Stubenhaus caused the operators of MYICIS to wire transfer \$24,750 to a bank in Nassau, Bahamas, for investment with a brokerage firm.
- c. On or about April 4, 2006, Stubenhaus caused the operators of MYICIS to wire transfer \$25,000 to a bank in Hong Kong.

Dated: JAN 25, 2012


Ellen Stubenhaus
Defendant


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